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April 1, 1999

COMMUNITY TECHNOLOGY PROPOSAL
TO ILLINOIS COMMERCE COMMISSION
IN SBC/AMERITECH MERGER APPLICATION

Federal Communications Commission
Office of Secretary

Schedule of Press-Related Events of Wednesday April 7

3:15

Press Conference

At offices Schopf & Weiss, 304 W. Randolph, Chicago (at Franklin)
Attorneys for Neighborhood Learning Networks and DSSA as
Intervenors for consumer interest in SBC/Ameritech merger application
Host: Peter Baugher 312-701-9300

Conference will feature:

* Statements by Mark Savage of Public Advocates of San Francisco,
and Ellis Jacobs of Legal Aid Society of Dayton about major Community
Technology initiatives adopted in California in 1997 as part of SBC
Purchase of PacTel; and recently negotiations for support of community
Computer centers in Ohio by Ameritech/SBC

* Statement by Don Samuelson, attorney and owner/manager of publicly
assisted housing, on behalf of Neighborhood Learning Networks and
DSSA as Intervenors in Ameritech/SBC petition to ICC

* Availability for interview: Community Organization representatives in
Illinois on telecommunication-related strategies to improve quality of life
and economic productivity in economically distressed communities

4:00

Community Technology and Telecommunications Open Forum
Auditorium of IIT-Kent College of Law
565 W. Adams (2 blocks west of Chicago River south branch)

- * Statements by Mark Savage and Ellis Jacobs
- * Statements by Neighborhood Learning Network Legal team
- * Statements by Community organizations and coalitions supporting
Community Technology Fund and other strategies to expand benefits
of high quality, low cost telecommunication services, including basic
phone and Internet, and to increase competition and lower rates by
Local Area Networks of community-education-business partnerships

April 1, 1999
For Immediate Release

Contact:
Herb Kraus 312-640-6791
Don Samuelson 847-356-7800

COMMUNITY TECH GROUPS
CALL FOR AMERITECH-SBC INVESTMENT
TO CLOSE 'DIGITAL DIVIDE'

A group of community organizations called today for the Illinois Commerce Commission to modify its hearing officer's recommendation on the merger between Ameritech and San Antonio-based SBC. The group calls on the full Commission to require large community technology improvements in Illinois.

"We call on the Illinois Commerce Commission to require that half the savings coming from any merger be committed to a major telecommunication investment program for economically distressed areas," said Don Samuelson, Intervenor in the ICC proceeding on behalf of Neighborhood Learning Networks. "This will be an important bridge between technology 'haves' and 'have-nots' in the 21st Century."

A proposed Community Technology Fund will support consumer awareness about how to benefit from low-cost services, computer learning centers and competition-enhancing local networks of communities-education-business in disadvantaged rural and urban areas.

"Savings and the benefits to Ameritech from the merger are estimated by public and consumer interests at several hundred million dollars" said Peter Haas, technology manager at Center for Neighborhood Technology. "CNT proposes that Ameritech invest \$120 million in community learning centers over the next half dozen years in Chicago, suburbs and downstate over the next half dozen years."

"In California, more than 120 nonprofit groups negotiated an \$82 million initiative to provide technology skills and provide telecommunication access in "less connected" communities," said Willie Hayes, executive director of Community Workshop on Economic Development, a coalition of community groups. During March, a smaller program was agreed to by Ameritech in a settlement with public interest representatives in Ohio, part of Ameritech's 5-state Great Lakes region.

What is the Digital Divide between "telecommunication have's and have not's"?

Closing the Digital Divide and upgrading of technology skills are key themes of the 1998 Metropolitan Planning Council (MPC) Report, "The Digital Network Infrastructure and Metropolitan Chicago." Prepared by Northwestern University, it looks at the impacts of private and public investments in information infrastructure on the regional economy. These impacts, result from the high-speed Internet nexus in Chicago which can be compared to O'Hare Airport as the crossroads of the nation's air transport infrastructure. "An aggressive program to mitigate the digital divide" is one of four major recommendations.

"Internet use is about six times greater among families in the top third of income and education than in the bottom third of residents in urban and rural areas in Illinois," said Garth Taylor of Metropolitan Chicago Information Center. "Our recent survey shows there is a growing gulf between high income families who have made information access and skills second nature in their lives, and less well-off families who are likely to learn on phone-accessed computers in schools, libraries and other community locations."

California and Ohio Representatives to be in Chicago on April 7

"We have invited representatives involved in Ohio and California experiences to meet with us next Wednesday, April 7, to share their experiences with government and consumer interests," said Layton Olson, attorney and Chicago Director of City Innovation. "Investments of merger benefits in today's underserved markets will benefit both Ameritech and its competitors in the future, reducing phone rates for all."

For additional information:

Peter Haas, Center for Neighborhood Technology 773-278-4800 ext 134
Willie Hayes, Community Workshop for Economic Development 312-243-0249
Layton Olson, City Innovation c/o law office Howe & Hutton 312-263-3001

CITY INNOVATION

A Volunteer Non-Profit Program for America's Future

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4900 IDS Tower Minneapolis, Minnesota 55402 USA
600 Madison Avenue 17th Floor New York, New York 10022

612-339-0793 Fax: 612-332-2116
212-308-5188 Fax: 212-308-7763

Layton E. Olson Vice President . Chicago Director

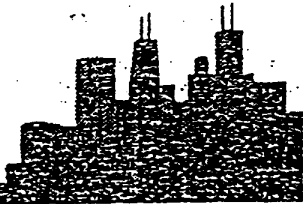
Public Media Coverage Of Community-Focused Strategies For Telecommunication Investments

April 12, 1999

1. Coverage of Neighborhood Learning Network/Bridging Digital Divide Campaign media materials, and related Ohio public utility commission.
2. Voice of People letter of Edward Whiteacre, citing community technology investment support by SBC
3. April 12 Crain's coverage of nonprofit organization computer-investment strategies
4. April 11 Chicago Tribune coverage of Springfield legislative proposal to expand school and community linkages to cultural institutions through university networks.

BUSINESS

*Breakfast
Briefing*
chicago



Ideas for Ameritech savings grow

A group of community organizations wants the Illinois Commerce Commission to force Ameritech and SBC Communications to share their merger savings with the public. The groups—Center for Neighborhood Technology, Community Workshop for Economic Development and City Innovation—said that if the companies merge, they will save several hundred million dollars a year. They said Ameritech should spend \$120 million of this money on low-cost telephone services, computer learning centers and telecommunications programs for disadvantaged areas. Separately, SBC and Ameritech said they will discuss possible conditions on their merger with the Federal Communications Commission. Last week, FCC Chairman William Kennard wrote the two companies expressing concerns about competition and that the merger not harm customers. The merger requires FCC approval, and industry analysts said they expect the approval to include conditions protecting customers.



Community Media Workshop

Newstips

• April 7, 1999 Newstips edited by Curtis Black, 312/344-7783, Fax: 312/344-6404 page 2 •

Propose Merger Savings for Technology Access Fund

Half the savings from the proposed merger of Ameritech and SBC Corp. should go to a community technology fund to bridge the "digital divide," according to a group of community organizations which is petitioning the Illinois Commerce Commission. The \$100 million fund would support community learning centers in low-income areas, along with outreach and networking. The fund is modelled on initiatives in the SBC/Pactel merger in California and the Ameritech/SBC merger in Ohio. The gap in access to technology between low-income people and others is growing, said Don Samuelson of DSSA and Neighborhood Learning Networks. "If people are not computer literate they are certainly going to be left behind in terms of job opportunities," said Willia Hayes of the Community Workshop for Economic Development. Community groups meet with public interest advocates involved in the California and Ohio agreements Wed., April 7 at IIT-Kent College of Law, 565 W. Adams; a press conference is scheduled for 3:15 p.m. and an open forum at 4 p.m.

For more: Don Samuelson, DSSA/Neighborhood Learning Network, 847/356-7800; Peter Haas, Center for Neighborhood Technology, 773/278-4800 ext. 134; Willie Hayes, Community Workshop for Economic Development, 312/342-0240; Lenton Olson, City Innovation, 312/263-3001

Ohio regulators give OK to takeover of Ameritech by SBC

Opponent AT&T will ask for rehearing

By Jon Van
TRIBUNE STAFF WRITER

Utility regulators in Ohio approved the takeover of Ameritech Corp. by SBC Communications Inc. Thursday, giving the controversial merger of the giant Bell phone companies a big boost.

In a 4-1 vote, the Public Utili-

ties Commission of Ohio agreed to the deal but will require SBC and Ameritech to freeze basic residential telephone rates through January 2002, invest at least \$1.32 billion in Ohio over the next three years, and guarantee job levels for two years after the merger is completed.

Opponents of the merger reacted swiftly; a spokesman for AT&T said the nation's largest long-distance company plans to ask for a rehearing within the next 30 days, as permitted under

Ohio law.

And in a statement released Thursday afternoon, AT&T expressed its disappointment in the decision, saying, "We have said all along that this proposed merger of two huge monopolies is not in the best interests of Ohio consumers and will do nothing to promote local phone competition. Nothing has changed that viewpoint."

In the meantime, the Ohio commissioners' action leaves Illinois as the only state still

reviewing the proposal. It also comes just one week after William Kennard, chairman of the Federal Communications Commission, poured a bit of cold water on the deal, saying he and the FCC staff have some doubts that it is in the public interest. Ameritech and SBC executives have agreed to Kennard's request for a meeting with FCC staff to discuss whether the deal can be modified to address the agency's objections.

Because Kennard took the

unusual step of making his negative feelings public, observers infer he is prepared to try to kill the merger if he can't get SBC and Ameritech to agree to his terms.

But despite that cloud hovering over the deal, most things have been going just as the Bell executives hoped in their quest to close the merger by midyear.

The federal Department of Justice ruled last month that the proposal doesn't violate anti-

(SEE AMERITECH, PAGE 4)

Ameritech

CONTINUED FROM PAGE 1

trust laws, and the 4-1 vote in Ohio blessing the deal gives Ameritech and SBC two out of the four governmental approvals they need to close the deal.

The Illinois Commerce Commission, which is also reviewing the matter, has scheduled oral arguments for the end of April and is expected to act by June. Although the ICC staff has denounced the deal as likely to stifle competition, raise rates and lead to worse service, their arguments were mostly rejected in the preliminary recommendation issued last week by hearing examiners.

In Ohio the state regulatory staff

never took a public position against the deal but instead worked out a settlement intended to freeze consumer rates, assure high-quality service, increase network infrastructure investment and protect Ohio jobs.

An effort by Ameritech to get consumer advocates in Illinois to negotiate a similar deal failed as merger opponents here ridiculed the Ohio settlement as barely a sop.

But even though the Ohio action Thursday came as no surprise, it was no less welcomed by Bell executives.

The Ohio commission "has put the interest of Ohio consumers first," said Jim Ellis, SBC senior executive vice president and general counsel. "The [commission]

has thoroughly reviewed this merger, addressed every issue raised by our competitors and opponents, and concluded that—under the terms of the settlement—the SBC-Ameritech merger is in the public's best interest."

Illinois consumer groups unhappy that their arguments failed to impress the ICC hearing examiners will have another go at it next week when they respond in writing to the preliminary proposal with reasons why the state should impose rigorous measures to ensure consumers will benefit from competition before approving the marriage.

In trading Thursday, Ameritech stock closed at \$64.81, up \$1.56, and SBC shares ended the day at \$53, up 81 cents.

Voice of the people

Benefits of SBC-Ameritech merger

SAN ANTONIO—Illinois consumers received good news last week when hearing examiners for the Illinois Commerce Commission issued a proposed order approving the SBC-Ameritech merger. According to the order, the merger meets all statutory requirements and will have no adverse effect on rates, service or competition.

Last week also was the two-year anniversary of SBC's groundbreaking merger with California-based Pacific Telesis. As new mergers continue to be announced, concerns continue to be raised about the impact on jobs, prices, customer service and community involvement. These are legitimate concerns, and they make up a larger question: Can mergers between large companies serve the public interest? That's certainly the question many Californians asked about our merger with Pacific Telesis, and it's likely on the minds of many Illinois residents today as we move forward on the Ameritech merger.

I believe SBC has shown that the answer to that question is yes.

SBC expected to create 1,000 new jobs in California after the PacTel merger closed. In fact we've created about 4,000 jobs in California so far. That's more than a \$100 million annual economic impact across the state, but the benefits of these new jobs extend well beyond those dollars. Most of these positions are out on the front line. We are hiring field service technicians, installers, customer service representatives—the people who really make the difference when it comes to taking good care of our customers, another merger priority.

Since the merger, we have substantially reduced installation and repair times. And rates for basic residential services have not increased and we've cut prices in California.

That same team is also providing new and expanded services to meet the needs of our customers. Right now one of the most critical of those needs is better access to high-speed data and Internet communications. Thanks to the merger, Pacific Bell has more resources to invest in the data capacity of our network, as well as in such new technologies as our ADSL high-speed Internet access. ADSL enables customers to navigate the Internet up to 200 times faster than with a traditional phone line.

Our commitment to service extends beyond our customers, though, to the communities where we live. SBC and Pacific Bell have doubled our corporate giving there, in addition to committing millions to support a coalition of more than 100 community-based groups throughout the state. This historic partnership is developing creative telecommunications solutions for underserved communities—solutions that will support education, health care, and social and economic development. It's a partnership focused on ensuring that all our neighbors, in all the neighborhoods we serve, can take part in the Information Age.

Going into the PacTel merger, we rejected the conventional wisdom that someone had to lose for a merger to succeed. We set out to do a merger that would create winners of everyone, and we believe we have succeeded. More than anything else, this merger with Ameritech is about growth—growth in products and services for our customers, and growth in opportunities for our employees. It is about making investments in Illinois communities. What's more, it will be about bringing a new level of competition to the marketplace.

Edward E. Whitacre Jr.

Chairman and CEO of SBC Communications Inc.

Coalition: Better communications in the community

by Robert E. Smith

A coalition of several community organizations last Thursday called on the Illinois Commerce Commission to require Ameritech and San Antonio-based SBC to use half of the savings coming from their recent merger for community technology improvements in Illinois.

"We call on the Illinois Commerce Commission to require that half the savings coming from any merger be committed to a major telecommunication investment program for economically distressed areas," said Don Samuelson, of the Neighborhood Learning Networks.

Supporters of the measure said a proposed Community Technology Fund will support consumer awareness about how to benefit from low-cost services, computer learning centers and competition-enhancing local networks in disadvantaged rural and urban areas.

"CNT proposes that Ameritech invest \$120 million in community learning centers over the next half dozen years in Chicago, the Suburbs and downstate," said Peter Haas, technology manager at the Cen-

ter for Neighborhood Technology (CNT).

If the investment is made, supporters say it will help to close what they call the digital divide between well-off families and those who are less fortunate.

Other states have already taken similar actions.

"In California, more than 120 non-profit groups negotiated an \$82 million initiative to provide technology skills and provide telecommunications access in 'less connected' communities," said Willie Hayes, executive director of the Community Workshop on Economic Development.

"During March, a smaller program was agreed to by Ameritech in a settlement with public interest representatives in Ohio, part of Ameritech's five-state Great Lakes region."

Representatives who were involved in the Ohio and California efforts have been invited to share their experiences at a conference being held April 7 by the Center for Neighborhood Technology, Community Workshop for Economic Development and other organizations involved with the proposal.

BusinessWeek

APRIL 12, 1999

THE MCGRAW-HILL COMPANIES

The Next Green Revolution

A Special Report



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reinvent it?

Mutual Funds
Ouch! First-quarter results



Pricing
How the Net
changes the
game

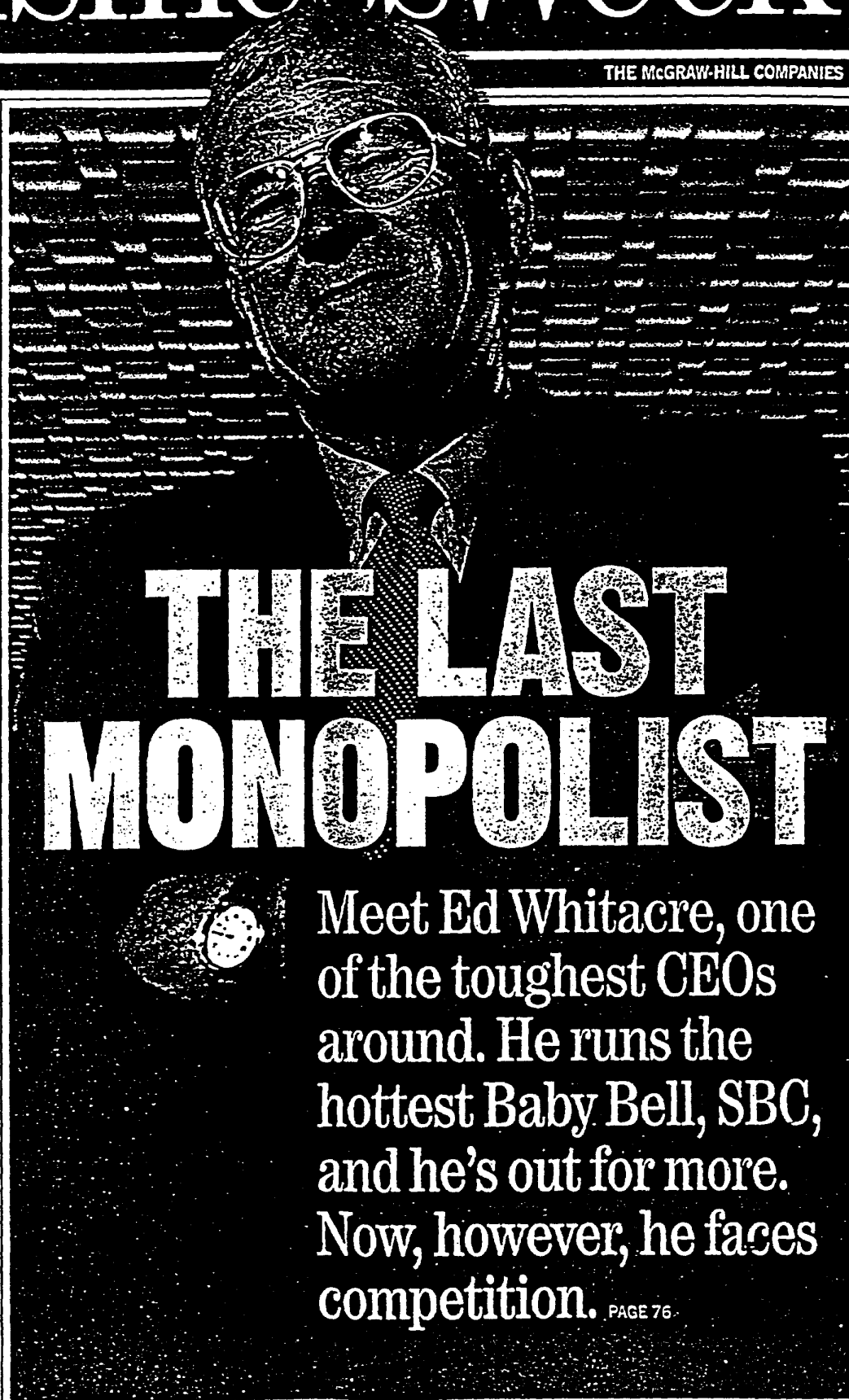


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THE LAST MONOPOLIST

Meet Ed Whitacre, one of the toughest CEOs around. He runs the hottest Baby Bell, SBC, and he's out for more. Now, however, he faces competition. **PAGE 76**

too. Last year, AT&T launched its Digital One Rate, which allows customers to pay a fixed monthly fee for a bucket of minutes without any extra roaming or long-distance charges. The simple plan has helped AT&T attract more than 850,000 customers so far, cutting into the business of other carriers like SBC. "That changed things in the wireless industry for

good," says analyst Woodlief. "You have to have a nationwide footprint

Information Technology

in order to have a good product for high-end users."

Problem is, SBC has huge gaps in its wireless network. The Ameritech acquisition will help: Together, the two companies have wireless service in eight of the nation's top 10 markets. But it still will have holes, notably in the Southeast and Northeast. That, analysts say, means that SBC has to consider acquiring a wireless player or at least wireless licenses

in key metropolitan areas. Whitacre isn't convinced. While he won't rule out an acquisition, he points out that only 4% of SBC subscribers roam outside of its region.

Even for the kind of industry giant Whitacre is building, it will take billions of dollars and flawless execution to compete globally. Whitacre has been able to squeeze \$1 billion a year in cost savings from the Pac-Bell merger and he expects to save an additional \$1.2 billion annually from the Ameritech deal. While that's efficient, it's not as formidable as the \$2.5 billion that rival MCI WorldCom has saved.

True, telecom adversaries from MCI-WorldCom to British Telecom are sure to provide gale-force competition. But for an outdoorsman who is used to killing rattlesnakes on the windswept plains of Texas, weathering a storm might be, as Whitacre says, no big deal.

By Roger O. Crockett in San Antonio,
with bureau reports

WHITACRE STEPS UP TO THE MIKE

Noticeably uncomfortable in the spotlight, SBC Communications Inc. CEO Edward E. Whitacre Jr. almost never talks to the media. But in a rare interview in his office on the 15th floor of SBC's San Antonio headquarters, Whitacre shared his thoughts on his company and himself with *BUSINESS WEEK* correspondent Roger O. Crockett.

On his disdain for meetings:

This is a nonbureaucracy. It's a result of my being an impatient person. Growing up in this business, I attended thousands of meetings. One of the things I decided was that if I ever got to be chairman, I was not going to have long meetings. Don't confuse me with all this superfluous stuff.

On his competitive spirit:

I like to compete, and I like to do well. It kind of gets the juices flowing. It's a very competitive world we're in. It's an exciting business we're in, and we're lucky from that standpoint.

On what he wants for SBC:

I like to be the best. I like for our stock price to be the highest. I like for our employees to be the highest paid. I like for us to have the best network.

On SBC's investment philosophy:

We don't keep pouring good money after bad. We're not afraid to say that we messed up—and we've done that several times. Some people keep



HANDS-ON CEO: "I like to know what's going on."

hanging on and hanging on. We just cut our losses.

On business failures:

We didn't do that well in England competing against British Telecom. We went over and built the first combination cable-TV and phone system. We did O.K., but we hit the wall there fairly quickly and got out of the business. We haven't done any good in the cable-TV business. I'm the guy who said, "Buy [cable companies] in Washington, D.C.," and I'm the same guy who said, "Let's get out of the business."

On the need to build a bigger company:

I don't feel it; I know it. We have to have a certain mass of [phone] lines and customers so we can reach out

to them. And the Ameritech deal gives us the scope and scale to do that.... We have to have the customer base of both medium- and large-scale businesses. We have to have the consumer base.... You can't be a global player and be small. It just doesn't work.

On his management style:

Gosh, I don't know. It's kind of all over the map. Sometimes I'm very hands-on. Sometimes I spend a lot of time on strategy. I like a lot of interaction with people. We're a pretty close group, and we've known each other a long time. I'm not a detail freak, but I like to know what's going on.

On his responsibility to shareholders:

They had the courage and the confidence to put money in this business, and they deserve our best efforts to reward them for doing that. When we do well for the stockholders, everything else works. If the stock were doing badly, I can't imagine a worse scenario. That's pretty bleak to me—hunkered down and having shells lobbed in on you all the time.

On his controversial legal attack on the Telecom Act of 1996:

We thought the government—the legislation—was singling us out for punishment, and we thought that was against the law. A lot of people joined our suit [U S West Inc. and Bell Atlantic]. I hope it didn't bend too many people out of shape.... I'd rather not do it, but I would do it again.

Technology

COMPUTERS • SOFTWARE • TELECOMMUNICATIONS • SCIENCE

MILLENNIUM HEADACHES

Charity circuit

Aging systems, tight budgets spell Y2K woes for non-profits

By JEFF BORDEN

As not-for-profit organizations confront millennium-related computer woes, a guiding principle stands in the way.

Simply put, cash-strapped non-profits—ranging from food banks to medical centers to small business lenders—are loath to spend money on anything other than the programs central to their mission. That includes pricey computer hardware and software upgrades capable of coping with the Y2K bug, which could cripple a lot of electronic gear when 1999 flips to 2000, putting millions of pieces of valuable data at risk.

The proof lies in an ill-fated seminar that promised to evaluate and treat Y2K compliance problems, sponsored in March 1998 by the Information Technology Resource Center (ITRC), a Chicago not-for-profit group that helps other non-profits with computer issues.

Boasting a guest list of top technology officers from several Chicago companies and priced at just \$20 to \$40 a person, the seminar was touted for weeks with

notices warning non-profits not to "let the millennium drop a bomb on you" and the admonition that "the Y2K problem is one that everyone must face."

Yet the session attracted just 15 people from 10 organizations, an astonishingly low turnout considering that the six-county Chicago area is home to an estimated 68,000 not-for-profit groups, according to the Illinois Assn. of Non-Profits.

"The response told us that our clientele wasn't interested or didn't care and that they wouldn't pay for it," says ITRC Executive Director Deborah Strauss. "It made our hearts sink."

As the new millennium nears, non-profits finally are accelerating efforts to ensure that their precious databases—most stored on aging computer systems—pass muster.

"Believe it or not, the millennium may be the best thing to happen to not-for-profit technology," says Paul Clolety, editor in chief of *NonProfit Times*, a Cedar See Y2K on Page 15

Among not-for-profits, there are wide variations in preparedness for the year 2000 bug.



Year 2000 checkup: Carmen Velasquez, executive director of Alivio Medical Center, says her not-for-profit agency has hired a consultant to protect valuable patient data from the Y2K bug. "If our computers go out, it would cause havoc," she says.

Non-profits face Y2K

Y2K from Page 13

Knolls, N.J.-based industry newspaper that publishes 18 times a year. "It's forcing them to address the issue of getting the most modern equipment up and running. They're starting to react."

Among not-for-profit organizations, there are wide variations in preparedness, Mr. Clolery notes. Large, national concerns such as the American Red Cross are generally on track, but many smaller groups—especially those with annual operating budgets under \$1 million—are falling behind the curve.

"I don't think it's a reluctance (to invest in new technology) as much as a lack of funds," says Ellen Dick, president of the Illinois Assn. of Non-Profits, a one-person office that required a \$5,000 grant from the Joyce Foundation to buy a Y2K-compliant computer and software.

Redoubling efforts

The ITRC is stepping up efforts to ease the pain, scheduling more Y2K awareness sessions—with no admission charge—and a four-hour course designed to help non-profit executives evaluate their equipment's Y2K readiness. Additionally, the center is offering on-site assessments led by its own computer specialists, which are free for ITRC members.

Meanwhile, Chicago's Non-profit Financial Center has created a loan pool of \$1.5 million earmarked for the Y2K problem. Not-for-profit groups can borrow up to 15% of their operating budget at a rate below prime for hardware and software upgrades.

But again, response has been

slow.

"With the release of our software handbook (which outlines Y2K-compatible software) and funding packages for not-for-profits, we've seen more interest," says Associate Executive Director Dottie Johnson. "We anticipate being inundated over the next few months."

Mailing list imperiled

Consider the Chicago Foundation for Women, which gives away about \$1 million a year to programs ranging from rape crisis centers to arts programs. The organization only recently began facing up to the Y2K problem

See Y2K on Page 16

Bracing for Y2K bug

Y2K from Page 15

when officials realized its 10,000-person mailing list was in peril.

"It's taken us 13 years to develop," says Executive Director Christine Grumm. "We would be out of business (without it). . . . We also have listings of all of our grantees, which we just spent a year putting on computer. We'd lose an incredible amount of data."

The foundation's 18 computers—ranging from new to several years old—are being checked by ITRC technicians, who say much of the software must be upgraded. Ms. Grumm concedes that the expense will "really hit us hard, but we don't have any choice. We know we have to invest."

Stockpiling cash

Many not-for-profits will face the millennium issue before private industry does, because their fiscal years mirror government contract schedules. For them, 2000 will arrive on July 1 or Oct. 1, not Jan. 1.

"We're really worried about the government," says Carmen Velasquez, executive director of Alivio Medical Center, which treats the uninsured and working poor in Chicago neighborhoods such as Pilsen, Little Village and Back of the Yards. "We're getting a directive from our board to stockpile some cash in case of problems."

Alivio, which treats about 14,000 patients annually, has

Many not-for-profits will face the millennium issue before private industry does, because their fiscal years mirror government contract schedules.

hired a consultant and expects to spend \$5,000 to \$25,000 debugging everything at risk from Y2K. Ms. Velasquez believes most of the center's software is compliant, but she's concerned about the computer systems overall.

Food for thought

"The most valuable data we have is our patients' medical information, plus our data and our billings," she notes. "If our computers go out, it would cause havoc. You'd have the data, but how would you get at it?"

Chicago-based Second Harvest, the largest hunger-relief organization in the U.S. with 188 affiliated food banks, faces several layers of risk.

"We're concerned we could wind up with the wrong food going to the wrong place or quanti-

Continued on Page 17

Continued from Page 16

ries not being accurate," says David Prendergast, director of information services. "We're talking about huge quantities—a billion pounds of food every year going out to 26 million Americans. (Y2K) problems could have some very important effects."

Additionally, if computer programs documenting food donations fail, Second Harvest will be unable to tell companies donating the products what happened, which would affect tax deductions and might make the donors unwilling to give again.

Second Harvest is implementing new inventory management software and expects to be fully Y2K-compliant, but it can't be sure all of its affiliates will be ready to cope with the millennium bug.

"I think there will be serious issues in some areas and no issues at all in others," Mr. Prendergast says.

That's also the case with Accion Chicago Inc., a non-profit that offers "bite-sized" loans to small business people who can't find funding through traditional channels.

The organization backs up its information on a daily basis, President Leroy Pacheco notes, and is fully Y2K-compliant. But, "one concern we have is the 400 or so other businesses we're lending to. What happens if things crash for them?"

The problem won't be confined to computers and software programs.

Costly phone fix

Chicago Lighthouse, which furnishes services to the blind and visually impaired, is waiting for the results of a computer evaluation, but doesn't expect to confront any major issues. However, the organization is looking at spending thousands of dollars to fix its telephone system, which will lose voice-mail and other features if it's not upgraded.

Senior Director of Finance and Control Mary Lynne Januszewski estimates that Chicago Lighthouse has spent more than \$10,000 swatting the Y2K bug.

Non-profits that have included regular computer and software upgrades in their capital improvement efforts are now looking very prescient.

For example, when Chicago's DuSable Museum of African American History received a \$3-million grant from the Illinois Department of Commerce and Community Affairs, it included computer upgrades in a package that included heating and cooling systems, weatherizing and security improvements.

"Y2K came at a perfect time for us," says President Antoinette Wright. "In some cases, we hadn't done upgrades for years, but we had the dollars in the budget to do it."

As a result, DuSable's donor lists, membership and financial records, as well as its record of more than 15,000 museum items ranging from African masks to rare recordings, won't be at risk. And the museum is extending a hand to other African-American

institutions, offering to help them deal with the millennium question.

At the ITRC, meanwhile, staffers are girding for an increasingly hectic schedule of computer inspections and upgrades. Ms. Strauss hopes to work with at least 300 organizations.

'It's about leadership'

"It's daunting, but we have to push this issue," she says. "We have to make them understand that this is not media hype. (Y2K) isn't about size or budget. It's about leadership and skill. Some organizations have taken this very seriously and made investments. Others have not. We're hoping these organizations will look at this as a real opportunity."

Lawmakers work on computer links of culture to classes

Connection is sought for schools, museums

By Michelle Brutlag
TRIBUNE STAFF WRITER

Everyone knows that Chicago has some of the biggest, finest and most prestigious museums on Earth, with several of them now conveniently linked together on a newly designed lakefront campus that attracts visitors from all over the world.

But for Illinois high school students in the suburbs and Downstate, regular field trips to Chicago museums and libraries are often too costly and complicated a hassle for teachers to arrange.

Soon, however, a new computer network under consideration by the Illinois General Assembly could let students take those coveted tours without leaving the classroom.

The Illinois Century Network would link school computers with those in libraries, museums and state government agencies all over the state.

The network would let students see and hear teachers in classes hundreds of miles away on television monitors—and then interact with them and fellow classmates via computer.

Those pushing the idea say the computer network would be so fast and reliable that it would be almost like all the students were in the same classroom—thereby eliminating some of the inequities between rich and poor schools.

"With the universities and elementary and secondary education all having access to the same information, young people are going to be able to get information they have never had at their disposal before," said state Rep. Connie Howard (D-Chicago), sponsor of a bill to create the network.

The Illinois House approved Howard's bill this spring, and it is pending before the Senate.

Gov. George Ryan is also proposing that the state put \$28 million toward the first phase of the project in the new budget. The money would go to the State Board of Education and the State Board of Higher Education.

If state lawmakers granted the

boards' funding requests for the next three years—a total of \$93.1 million—officials expect the network would be fully operational within three years.

Even if it meets that goal, experts in the field say Illinois has already fallen behind in the development of such technology.

Already, 32 other states are operating a similar network, according to the State Board of Higher Education.

Even after the initial expenditure, the state would have to keep pouring money into the program just to keep up with rapidly advancing technology, said Larry Smarr, director of the National Center for Supercomputing Applications at the University of Illinois in Champaign.

"If you're not doubling ... year after year ... the capacity of this network, then you're effectively wasting the money you put in it in the first place," Smarr said.

If approved, work on the network would begin this summer. It would be built in six phases, starting with the installation of cables linking schools with museums, libraries and universities, as well as existing computer networks.

For example, 446 public and 102 private school districts already are connected to one another by a computer cable system known as the "LincOn Network." That network joins their library databases and connects the schools to the Internet.

Also, some community colleges, universities and school districts are already connected by another network that allows them to conduct interactive video classes.

Under the design plan, all school districts in the state would be connected to the full network by 2000.

Education officials say they might also make the equipment available to businesses that want to conduct video conferences.

The impact would be sweeping, said Neil Matkin, assistant director of the State Board of Higher Education.

"The Illinois Century Network will revolutionize Illinois in a way that few people can foresee," Matkin said.

David Greising



Kennard's speed bump may reduce merger roadkill

All right, let's get this straight. Sources indicated Tuesday that MCI WorldCom Inc. wants to buy wireless company Nextel Communications for more than \$11 billion. They'll compete with Vodafone Group PLC, which is paying \$56 billion for AirTouch Communications.

AT&T bought Tele-Communications Inc. for \$55 billion to battle Comcast Corp., which is buying MediaOne Group for \$60 billion.

Even Ameritech got into the action Monday by selling some cellular assets to GTE. At a measly \$3.2 billion, the deal barely merited a press release.

These days, if a deal doesn't add up to \$10 billion here and \$10 billion there, you're not talking about a lot of money.

Two questions come to mind. First, with all those billions floating around, can't I have just one? And, is this what Congress had in mind with the its so-called "deregulation."

The answers to the above questions are: no and sort of.

No, because none of the money floats into our pockets. Not as manna from heaven. And not in the form of lower cable rates, better phone service, more readable billing statements or friendlier operators.

As to the second question, the answer is "sort of" because, believe it or not, vertical integration in communications is what Congress wanted with the landmark Telecommunications Act of 1996.

Years in the making, the Telecommunications Act attracted a lobbying onslaught that made the D-Day invasion look like a Wendella cruise. Any lobbyist who couldn't get a piece of the Telecom Act action wouldn't be able to find an open seat at the 1999 edition of our Chicago Bulls.

There's something in this hyper-lobbied act for everybody who could afford a custom-tailored codicil. Cable companies can get into telephone service. Baby Bells can offer long distance. Long-distance companies can offer local telephone service. Data firms can carry voice or video.

Chicago Tribune

Business

WEDNESDAY, APRIL 7, 1999

SBC Communications counted on a wide-open world last May in anteing up \$60 billion for Ameritech, still the biggest telecom deal yet.

It turns out they might be wrong.

Just two weeks ago, the Ameritech sale was gaining momentum. But William Kennard, chairman of the Federal Communications Commission, last week put on the brakes. Even though a previous FCC regime had approved two big Baby Bell mergers—Bell Atlantic's acquisition of Nynex and SBC's purchase of Pacific Telesis Group—Kennard is raising concerns about the impact of the SBC-Ameritech deal on consumers.

It was a gutsy move. "The parties will say, well, you cleared the last one, why

not this one?" says former FCC commissioner Glenn O. Robinson, a law professor at the University of Virginia. "The short answer is, 'This one is different.' We're talking about an even larger acquisition with a yet greater threat to competition."



Kennard

Kennard's timely gesture runs counter

to consolidation at every level of the communications spectrum. It also comes just as Ameritech and SBC are close enough to approval that they can taste it.

Now Kennard has a chance to make Ameritech and SBC sweat to get their deal through. He has a chance to force them to open their local markets to competition, something that should be a minimal requirement for approval.

If nothing else, Kennard has given cover to the Illinois commissioners, a chance for them to seek commitments from SBC before the "Texas-based phone monopoly" caricatured in those anti-merger ads gets a chance to do its worst: raise rates, add new fees, fire thousands.

The \$60 billion SBC-Ameritech deal probably ultimately gets done. But Kennard at least has slowed down the process enough that they'll have to take into account a new player at the table: the customers who are the source of all these billions in the first place.

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Wednesday, April 7, 1999

FCC chief asking the right question

In his April 1 letter to SBC Communications and Ameritech voicing "serious concerns" about their proposed merger, the chairman of the Federal Communications Commission is asking all the right questions.

How can the FCC "be assured that the merger will not interfere with the companies' willingness and ability to fully open their local markets to competition?" asked William Kennard. How can the FCC be assured the merger will "encourage competition in all telecommunications markets?" And how can the FCC "be assured that the public will promptly receive the claimed benefits" of SBC/Ameritech's proposed "national/local strategy?"

These are precisely the questions that should be asked regarding SBC's acquisition of Ameritech. And they must be satisfied for the deal to proceed.

Will it bring local telephone competition closer? If the answer is yes, then it is in the public interest and should be given a green light. If SBC and Ameritech can't make that case, then the deal should not be done.

The two baby bells argue that their marriage gives them the bigger "footprint" needed to compete nationally and internationally. "The idea of regional in the communications world is passé," Ameritech chief Richard Notebaert has said.

That may be, and it is clear that long distance, wireless and cable television companies are developing their own national footprints to compete in those arenas. But being bigger doesn't by definition make a monopoly more competitive.

Since SBC and Ameritech announced the proposed marriage last summer, the merger has been working its way laboriously through the regulatory process.

The Justice Department has given its imprimatur, decreeing that the merger is "not anti-competitive." Since the operating territories of the two are primarily geographically distinct, that came as no surprise. But the fact is that SBC and Ameritech were poised to compete with each other in the St. Louis market and now that competition won't take place.

Hearing officers at the Illinois Commerce Commission overruled staff concerns, attaching just minor conditions to their recommendation that the full commission approve the merger.

But with Kennard's shot across the bow, it's clear that to pass muster with the FCC, Ameritech and SBC must satisfy skeptics that, not only will this deal not hurt competition, in fact it will promote competition.

That is a tougher standard to meet, but it is in the public interest generally and in the interests of Ameritech consumers specifically that the case be proved.